REPORT OF THE HUNGARIAN MINISTRY OF HOME AFFAIRS ON THE MAORT SABOTAGE

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On September 22nd, 1948 the State Defence Authorities of the Ministry of Home Affairs of the Hungarian Republic issued the following statement to the Press:

The State Defence Authorities of the Ministry of Home Affairs started an investigation at the beginning of August this year to find out the reasons behind the rapid decrease in production by MAORT since the Liberation. In the course of the investigation it was discovered that there was industrial sabotage to hinder the economic development of democratic Hungary for political reasons.

The State Defence Authorities have taken into custody Dr. Simon P a p p, professor at the Technical University, a former general director of MAORT pensioned in 1948, who in the last few months had the job of geological and geophysical chief adviser to the firm; Bódog Á b e l who, until being pensioned in 1948, was director of the purchasing department of MAORT, and is at present managing director of the subsidiary company of MAORT, MAORT Gas Selling Company; Béla B i n d e r, mining engineer, director of the production department of the MAORT; and Dr. Kálmán B a r n a b á s, chief geologist, head of the MAORT's geological and research department.

On the basis of the confessions of the above and the findings of the simultaneous investigation by experts, there was ample reason to suspect that Paul R u e d e m a n n, geologist, the president of MAORT and George B a n n a n t i n e, engineer, Ruedemann's

deputy and a member of the board of managers, both representatives of the American Standard Oil Company of New Jersey for Hungary, had a directing role in the sabotage under investigation. Therefore, the investigating authorities ordered on the 18th of September the presentation of Paul Ruedemann and George Ballantine who, in the course of the hearing, confirmed the previous results of the investigation. They confessed that the heads of the production department of the American Standard Oil Company of New Jersey, Estebrook, Bolton and McCollum, had given directions for the decrease of oil production in Hungary for political reasons.

THE ORIGIN AND DEVELOPMENT OF MAORT

To understand this sabotage action directed against the Hungarian Republic from abroad, it is necessary to present the preliminaries and details of the case.

The 1st paragraph of Act VII of 1911 dealing with mineral oil products and natural gases, reserves for the State the right of surveying and producing mineral oils and combustible natural gases freely occurring in the earth. The 4th paragraph of the law empowers the Minister of Finance to transfer this monopoly.

In 1933 the representatives of the European Gas and Electric Company (Eurogasco) came to the Hungarian Ministry of Finance with a letter of recommendation from the U. S. Secretary of State. The Minister of Finance at that time, Béla Imrédy, condemned to death and executed after the war as a war criminal, started the negotiations. As a result of these negotiations, on June 8th, 1933, a contract was concluded between the Hungarian Treasury and Eurogasco. This contract gave Eurogasco preferential rights for the exploration and mining of mineral oil, gas, and other mineral oil compounds, in the area west of the Danube for the duration of forty years. (See Appendix No. 1.)

This contract was followed by a supplementary contract on June 24th, 1938, as a result of which a new company, the MAORT, took over the rights of Eurogasco. By this time the drillings at Szentadorján (Lispe) already showed such good results that the American shareholders were encouraged to start production. Since, however, according to Hungarian law, production and selling can

be carried on only by a registered Hungarian firm, the Magyar-Amerikai Olajipari Részvénytársaság (MAORT) was registered on July 28th, 1938, with the registrar of firms, as a concern for the production of crude mineral oil, natural gas, the mining and selling of these and their by-products. In the meantime, all the shares of Eurogasco came into the possession of the largest oil monopoly of the world, the Standard Oil Company of New Jersey. Thus, the MAORT, — established as the legal successor of Eurogasco, — started its work as a subsidiary of Standard Oil.

According to the contract made with the Treasury, MAORT, in return for the Transdanubian concessions granted, guarantees to the Hungarian State only 15% of the profits. In the 10th article of the contract, however, the company undertakes "as long as it can do so without injuring its own interests, to pay attention to the economic interests of Hungary". Géza Bornemisza, Minister of Industry at that time, announced to the House of Representatives in 1938 the establishment of MAORT; typically, however, this announcement mentioned only Eurogasco. The Minister did not mention the fact that in practice this concern does not exist any longer, and the Hungarian oil to be drilled was now in the hands of the world's largest monopoly.

In 1938 oil production was already started, showing considerable success in a short time. The lucrative character of MAORT's operations is indicated by the fact that, while according to the balance sheets of the concern the invested assets were 4,523,035 Pengős, in 1937, in 1938 they had already increased to 7,489,247 Pengős, in 1941 to 40,892,996 Pengős, going up to 120,132,391 Pengős by 1944. This huge increase in invested assets came out of the enormous increase in profits year by year; for the American shareholders did not export any additional capital to Hungary above the approximately 14 million Pengős originally invested between 1933 and 1938. Production from 1938 to 1944 increased from 37,254,488 kilograms to 809,969,639 kilograms, that is, it increased about twentyfold.

MAORT is, then, an American business enterprise established in Hungary, to which the Horthy régime handed

over the monopoly for Transdanubian drilling and oil production under strikingly favorable conditions, with very small participation in the profit, doing serious injury to the interests of the Hungarian State. The Americans, under the shadow of German war preparations, started, a year before the outbreak of the war, in 1938, production in this field and, driven by the desire for profit, increased Transdanubian oil production twentyfold during the war, thus assuring significant support for the German war machine.

GERMAN-AMERICAN COOPERATION AT MAORT DURING THE WAR

After the outbreak of World War II, the rapidly increasing oil production served the German war machine. Until 1942 the management of the concern was in the hands of Vice-President Paul Ruedemann, general director, who together with George Bannantine took care of the representation in Hungary of the shareholders of Standard Oil. Ruedemann was born in Germany of German parents, emmigrating from there to the United States. Under his direction, oil production by MAORT went up from 37,254 metric tons in 1938 to 141,849 metric tons in 1939, 249,590 metric tons in 1940, and 426,660 metric tons by 1941. Especially striking is the huge increase which followed after 1941, when Germany started war against the Soviet Union. On February 15th, 1942, Ruedemann left the country because of the state of war declared between the U. S. A. and Hungary, but even in his last directions, he did everything to guarantee the continuous and increasing delivery of oil products to Germany. Ruedemann himself said in his confession of September 22nd, 1948 : "I knew that the rapidly increasing production helped the German war machine. Still I did not do anything to decrease production. I admit that at the start of the movement, I sympathized with the economic aspects of National Socialism. When a state of war was declared between Hungary and the U. S. A., I returned to New York. I entrusted the direction of MAORT to Simon Papp. He was a Nazi-sympathizer, and in my absence did everything possible further to increase production. I directed him to turn for instructions in decisive questions to the director of the German-American Petroleum

Company, Mr. Klassen, a German citizen. As everybody knows, the German-American Petroleum Company was a Nazi firm. This concern received the oil exports of the MAORT."

After Ruedemann's departure, the direction of the concern was taken over by the man representing the American shareholders, Dr. Simon Papp, as managing director. Formerly he was the chief geologist and a member of the board of managers of MAORT. From now on, strengthening of German-American cooperation went on through him. Simon Papp said in his confession : "Before Ruedemann and Bannantine left, Ruedemann handed over the concern to me as managing director and told me that if I had any problems in its direction, I should turn to Klassen who was the head of the subsidiary company of Standard Oil in Germany, the Deutsche-Amerikanische Petroleum-Gesellschaft (D. N. P. G.), in Hamburg. I admit that during the war the interests of Americans and Germans in the field of oil production differed because the amount of oil produced by MAORT and delivered to the Germans strengthened the German war machine, against, among others, the Americans too. Keeping in view, however, the fact that before his departure Ruedemann directed me to turn to the German industrial oil chief Klassen, and taking into consideration the directions of the Hungarian Government concerning the increase of oil production and delivery for the Germans, I aimed none of my activities at the decrease of production ; on the contrary my activities undoubtedly helped the great increase in production. Undeniably, my activities during the war were to the full statisfaction of the Hungarian goverment of that time, and of the Germans too, from whom I received in 1943 the German Order of the Eagle, first class. Partly, it was due to Professor Benz that I received this decoration. He, as Hitler's adviser in oil matters, visited me several times and we were on good terms with each other."

As to Ruedemann's action in instructing Simon Papp to turn to the German Klassen for possible directions during Ruedemann's absence, Bódog Ábel, former head of the purchasing department of MAORT, said : "I admit that under 1941 conditions it was strange that the director of the MAORT concern in Hungary should have been obliged

to turn for instructions to the head of the German concern whose interests were opposite to those of the Americans, and which bought up the whole oil output of MAORT. Beyond any doubt, the oil produced and delivered by MAORT at this time increased the war capacity of National Socialist Germany. I was able to explain this phenomenon only by the fact that profit is the most important consideration of international big capital."

As the result of this business policy of MAORT leaders, oil production went up from the 37.254 metric tons produced in 1938 to 809.000 metric tons during the war. Thus, the American company gave extraordinarily important aid to the German war machine, struggling with a serious shortage of fuel.

POLITICAL BACKROUND OF THE SABOTAGE

After the liberation of Hungary a decisive change occurred in the policy of the MAORT management. Here is Dr. Simon Papp's detailed confession about this change:

"I was in charge of the direction of MAORT before the Liberation until December 9 th, 1944, when I retired to a sanatorium because of ill health. I admit that as the responsible head of the concern I did not engage in any activities to prevent sabotage or to prevent highly valuable items of equipment being taken to Austria and Germany. Starting at the end of March 1945, I went back to work regularly at the central office of MAORT. The beginning of work at the factory was hampered by serious difficulties. I must acknowledge as an undeniable fact that we got important aid to start production, i. e. to repair the plants, and put them in working order, first and foremost from the Soviet Union. In May 1945 they supplied us with 12 trucks; furthermore they helped us several times with money and goods.

"These were the circumstances under which MAORT started work after the Liberation. Until the middle of November 1945 when Ruedemann, Bannantine and Schudell arrived, I alone directed the concern. Resumption of business relations with the Americans came in May 1945, when the American Military Mission, and later the Commercial Mission, arrived in Budapest. Members of both Missions visited me.

"I admit that after the Liberation I for my part took the view that production ought to be decreased. I was influenced in my views by technical considerations which

would have advised the stoppage of over exploitation ; I do acknowledge, however, that I was led from the very beginning by political considerations, too. Production actually started in the middle of April, 1945. From this time on, I opposed constantly and consistently the Ministry of Industry, which pushed the view that production should be kept on the same level, while I held the view that production should be decreased."

On October 17th, 1945, Mr. Ecker-Racz, a member of the American Commercial Mission advised that MAORT should not produce any oil at all, and should prevent the bringing home of its property which was in the American Zone of Austria.

Bódog Ábel told in his confession what he thought of Simon Papp's directorship : "After the Liberation the situation at MAORT changed completely. The directorship of Dr. Simon Papp was characterized by strong passivity, far. beyond the passivity necessarily caused by war damages. He wanted to have production as low and the amount delivered as small as possible since in 1945 oil delivery was directed only to the Soviet Occupation Troops. Paul Ruedemann and Bannantine arrived in Hungary only at the middle and end of November, respectively. Until this time Dr. Simon Papp remained in constant and regular contact with the American Military and Civil Missions and first talked over with them every action connected with MAORT. This was made the more necessary by Dr. Papp becoming strongly opposed to the Hungarian Government. He was not willing to carry out the orders of the Ministry of Industry concerning production and therefore he kept up his connections with the Mission for his personal safety. Nevertheless, the American Mission as well as Simon Papp saw that the situation was becoming more and more difficult. "Ecker-Racz", confesses Papp, "held the opinion that I should not bring matters to a climax because they would be able to defend MAORT as an American firm, but they would not be able to protect me in my person. Besides, they were going to take steps to have Walters or Ruedemann come to Budapest as soon as possible. This actually happened in November, 1945.

Simon Papp gave the following account of the change : "In the middle of November, 1945, Paul Ruedemann, Emil

Schudell, and somewhat later George Bannantine arrived at Budapest, commissioned by the Standard Oil Company. Ruedemann after his return in 1945, immediately took over the direction of MAORT; and the subsequent meeting of the board of directors, which appointed me as general director, elected Paul Ruedemann president of MAORT. In all important questions decisions could be made only with his consent. In financial matters, only he had the full right to make remittances. Although at the concern there were other people besides him with the right of making remittances, still, no money could be used or appropriated without Ruedemann's knowledge.

"Ruedemann, after his arrival in 1945, approved of the previous activities of the firm and gave me the most definite direction further to decrease production. From then on, besides me, it was Ruedemann who put this problem most sharply to the Government. Of course, openly we operated only with technical considerations, pointing out that rational production, that is decreased production, was necessary in order to increase the duration of life of Hungarian, oilfields and thus to be able to obtain more oil. Ruedemann and Bannantine came to Hungary in the middle of November 1945 with definite instructions. These instructions, often repeated to me, were to prevent or decrease oil production in Hungary under all circumstances. Paul Ruedemann, who is an old personal friend of mine, had already in 1945 laid before me the real reasons behind this policy. According to these, it is not in the interests of the present American government, which sharply opposes the new Hungarian régime, that this Hungary, a people's democracy, should be able to obtain an adequate supply of oil, and that in consequence, her national economy should become strongly consolidated. This view was consistently represented by Ruedemann and the Americans. This is the explanation for Ruedemann using all available methods to make sure of a constant and always steeper decrease in production. This is how the enormous contrast between MAORT's situation before 1945 and after can be explained. I admit that since the Liberation sabotage has been going on at MAORT. Production has fallen with increasing speed above and beyond the natural decrease, as a result of deliberate measures. The theoretical

and practical director of the sabotage activity has been Paul Ruedemann."

Bódog Ábel also knew of the political background of the sabotage: "After the arrival of Ruedemann, Schudell, and Bannantine in Hungary, a tendencious direction of the concern started, the leading motive of which", confessed Ábel, "was that MAORT did not need any additional oilfields, production was not to increase under any circumstances but must show a downward trend. Dr. Simon Papp said in February 1946, in the course of a confidential conversation, that according to Paul Ruedemann a further decrease in production was absolutely necessary, because it is an impossible phenomenon that Hungarian oil should strengthen the South-East European people's democracies who are opposing America and, on the other hand, the economic consolidation of the Hungarian people's democracy is not at all desirable. This information was confirmed before me by Paul Ruedemann in August and September 1947 while Dr. Simon Papp was in America, and I, as a consequence of this, often came in contact with the Americans. He added to the above that every reason dictates the decrease of MAORT's oil production; for oil is not desirable in countries which will perhaps soon be at war with the USA."

Besides Dr. Simon Papp, Bódog Ábel, and Dr. Gábor Temesváry who escaped during the course of the investigation, the political background of the sabotage was not known to the rest of the high Hungarian officials participating in the sabotage. According to the confessions of both Ruedemann and Bannantine, the political reasons for the decrease in production had been disclosed only to the three high officials "reliable" from their, — Ruedemann's and Bonnantine's — point of view.

From the confessions of the two American representatives, Paul Ruedemann and George Bannantine, it is apparent that they had brought instructions for the sabotage straight from the USA. "At the end of 1945, in New York," confessed George Bannantine, "I got definite instructions from the leading officials of the Standard Oil Company of New Jersey, Mr. McCollum, Estebrook, and Bolton that in Hungary my attempts must be for a decrease in oil production and to prevent the opening of new oilfields.

They also told me that this was necessary because in the case of a coming third world war Hungary would fight against the United States and it was not desirable that the South-Eastern European States which belong to the Soviet sphere of interest should posess oil. Since, according to the instructions received, oil production was to be decreased in Hungary, from 1946 on I considered this question a decisive one, and, although the Hungarian Government fixed month by month the amount of oil to be produced, Ruedemann and I decided to produce less oil than prescribed. I wish to state that we did not only order the decrease of oil production, but we also petitioned the Hungarian Ministry of Industry. for permission to decrease oil production In these petitions we supported our request for the decrease of oil production in a misleading way by technical considerations, but the real aim of these petitions was to decrease production according to the instructions received in New York."

Ruedemann confessed similarly: "In November 1945 the leaders of Standard instructed me to return to Hungary. The directors of the production department, Estebrook Bolton, and McCollum told me that since Hungary was in the Russian sphere, oil production must not be increased. Our aim was to conserve the oil in the earth for the time when a change in political régime in Hungary could guarantee its profitable exploitation, for Standard. In February 1946 my deputy, Bannantine, arrived in Hungary too, with the same instructions as I. I discussed the problems of production from this point of view with him, and also separately with Simon Papp, Bódog Ábel, and Temesváry. For us these three were the „reliable" executives of the concern. To them I explained that increasing production was against our interests. I acknowledge that my point of view and attitude against the political régime in Hungary was determined by the hope that after a thorough swing to the right, and the fall of the present régime, MAORT would be able to continue its operations under the same circumstances, favourable to the American shareholders as under the régimes of the past."

The personnel policy of the American heads of the concern for the accomplishment of their plans is also worthy

of attention. "I needed reliable men" confessed Ruedemann, "who would carry through my plans in the field of production. This is why I employed people like Simon Papp, Abzinger, Temesváry, and Pőzel, who, although they had compromised themselves by their pro-fascist attitude, were from my point of view absolutely reliable. Director János Dinda, who had a significant proportion of MAORT's technical equipment transferred to Austria and was an extreme Nazi, was taken out by Standard to America where he obtained employment with my recommendation. After my associates named above had obtained knowledge of the fact that Simon Papp had been taken into custody by the Police, first Temesváry and then Abzinger escaped from the country. I supported the escape of both financially. I promised to Temesváry that he would have 2,000 dollars at his disposal in Switzerland. Abzinger I provided with 8,000 forint on the occasion of his escape and took steps by telegram to see that Feldmann, one of the heads of the Standard firm operating in Austria, should be at his service."

It also appears from the confession of Bannantine that the flight of the accused people with a fascist past was actively helped by one of the representatives of the American diplomatic service in Budapest. "I declare that Paul Ruedemann and I had previous knowledge of the flight of Gyula Abzinger, the head of the purchasing department of MAORT, after the start of the police investigation, and that we helped this flight with 8,000 forint," confessed Bannantine, and then continued, "I sent the 8,000 forints to Mrs. Gyula Abzinger who works at the American Legation through Mr. Reynolds, U. S. Vice-Consul."

The close contact between the American head officials directing the sabotage and certain American official circles is illuminated by the part of Bannantine's confession where he declares, "Since 1946 Ruedemann and I have on several occasions transferred confidential documents connected with MAORT to the American Legation. We did this not long ago during the police investigation with the confidential files connected with purchases, and with correspondence with the New York central office of Standard."

From the confessions quoted above it is quite clear that since the Liberation certain American circles have done everything possible to decrease the amount of oil produced

in Hungary. This sabotage based on political considerations was directed until November 1945 directly by the American Mission, in Budapest on an official job controlling the fullfilment of the Armistice terms, through Ecker-Racz and Major Hagy, and after November 1945, by Paul Ruedemann, the president of the concern and his substitute, George Bannantine, acting on instructions received from New York. MAORT as a subsidiary company of Standard Oil became an agency in Hungary of American capital speculating for war. The heads of the concern, Ruedemann and Bannantine, fulfiling the instructions received from their superiors, the shareholders of Standard Oil, in opposition to the obligations undertaken in the contract concluded with the Hungarian State, have done everything possible, deliberately and continuously to decrease production, causing a serious loss to Hungarian economic life and weakening the Hungarian people's democracy.

METHOD OF SABOTAGE AT MAORT

The confessions of the accused, the interrogation of witnesses and experts, and other available data, have brought to light every detail of the wide spread sabotage, which has been carried on by Ruedemann and his associates since 1945 in the financial and technical fields as well as against the success of planned economy.

A) IN THE FINANCIAL FIELD

Simon Papp confessed the following about the financial management of MAORT: "The financial management of MAORT has been characterized since the Liberation by deliberate chaos. Ruedemann continued a financial policy which made the making of investments impossible. As a consequence of the financial management, there was no money available even for the most necessary investments, a fact which significantly contributed to the increasingly steeper drop in production. At the same time when serious difficulties appeared in the financial management of the concern, MAORT's business policy on collecting its claims from the oil refineries was very strange. In the collection of oil refinery debts, Ruedemann differentiated between Hungarian and English-American oil refineries. While they forced payment by Nyírbogdányi Petróleum Ipar Rt., Péti Nitrogénművek Rt. and MOLAJ Companies, they did not exercise any pressure on Shell and Vacuum Oil which were English-American concerns."

Ruedemann himself speaking of this financial sabotage said: "Since in Hungary after the war the decrease of

production was our aim, investments leading to an increase, had to be avoided. The heads of Standard Oil, before I came to Hungary in November 1945, had told me that there could not be any question of American investments. The Hungarian Government, however, was itself ready to make the necessary money available to us in the form of a loan. We had claims, and I do admit that if we had energetically forced payment on them, investments resulting in the increase of production would have been made possible. The Shell and Vacuum refineries owed large sums to MAORT. I, on the basis of instructions from New York, directly forbade that we should collect on these claims by legal action. The Vacuum Oil Co. and Shell, owe six million forint even today."

At the official checking of the books of MAORT the State Control Center's board of examiners also found on September 2nd, 1948 that: "MAORT has outstanding claims from the oil refineries to the value of 23 and a half million forint; that is, instead of using its profits accumulated since the Stabilization, for the necessary investments, it credited most of them to the oil refineries. We see the operation of interesting motives expressed in the financial policy of collecting outstanding claims. While Shell, who owe much money, have repaid only 36·7% of their debts outstanding in March 1947, and Vacuum Oil have repaid only 27·3% of their debts, by July 31st 1947, the Péti Nitrogénművek Rt. paid back 85·6%, the Nyírbogdányi Petróleumipari Rt. 89%, and the MOLAJ 78·3% respectively of their debts. Of the 23,668,718.— forint owed to MAORT by the oil refineries in March 1947, 57·9% was paid by the end of July of the same year. We find it necessary to convince MAORT that in its credit policy it should not differentiate between oil refinery purchasers according to their being home or foreign concerns, especially considering the fact that for the sake of more effective production as part of the Three Year Plan, it must make various investments."

In connection with the financial management of the concern, it can be generally found that they have indulged in expenditure over the necessary amount for purposes which did not directly promote production. According to expert opinion, since the Stabilization purchases of considerable

value had been made of certain articles, not in proportion to the rate, at which they are used up. This is shown by the fact that from August 1st, 1946 to May 31st, 1948, the increase of value in the stock of materials was 7,761,000 forint. The construction department at Nagykanizsa had at the end of last year stocked in its store rooms building materials to the value of 3,430,000 forint according to its stockbooks, even though it is evident that the firm could not possibly have needed materials in such quantities. On this question Bódog Ábel, head of the purchasing department, confessed the following : "Ruedemann directed financial management, planning it in such a way that as little money as possible should be available for investments. Only thus can the fact be explained that the concern kept up a separate construction department at Nagykanizsa, which cost very much money and made construction unreasonably expensive. The central repair shop kept up by the concern, which employs 700 men and is equipped for doing everything from metal casting to the varnishing of automobile bodies, was in the service of the same aim. There is no need for this plant to be of such proportions. It is characteristic that besides operating this machine shop the concern gives separate work to the Miklós Simon machine factory at Kapuvár, too."

A similar aim to that of unnecessary investments was served by the overproportioning of administrative costs. The following sums were paid out from January, 1948 to May of the same year : General expenses : 190,000 forint. Gifts : 77,000 forint. Legal expenses : 165,000 forint. It is characteristic that while the concern struggled with serious financial difficulties, it paid in advance as a salary for ten months 93.320 forint to Dr. Simon Papp, and 81.770 forint to Bódog Ábel. The expenses of Ruedemann and Bannantine charged to the company made up a monthly average of approximately 5000 forint.

The works committee, seeing the harmful consequences of the financial policy of the management, demanded in August, 1948, that the difficulties of MAORT be alleviated by the immediate collection of outstanding claims. Ruedemann answered the recommendation of the works committee in a letter, stating that the solution for financial difficulties is to be sought not in Shell's and Vacuum Oil's ability

to pay, but in putting pressure on the government to increase the price of oil. He stated that the present price policy "will sooner or later result in the unpleasant consequence that the crude oil production of MAORT will gradually decline". On July 17th, 1948, Ruedemann asked the Supreme Economic Council to raise the price of oil by nearly 90%. On September 1st, he demanded of the Hungarian State in a petition to the Ministry of Industry a sum of 111,000,000 forint, with the statement that MAORT had suffered losses to this value because of oil not being priced adequately. The price of crude oil is now 170 forint, in Hungary. Official examination established that the production costs of MAORT crude oil are 147.44 forint. Thus, the present price of 170 forint guarantees the concern a profit considerably beyond the 8% permitted. In spite of this fact, Ruedemann wished to raise this price by 90%, to burden Hungarian economic life with unreasonably expensive fuel and to turn the additional price appearing as income, into unprofitable investments.

B) SABOTAGE AGAINST PLANNED ECONOMY

On the attitude of MAORT toward the Three Year Plan, the expert opinion of the representatives of the State Control Center established the following : "In making investments the figures of the plan were not considered, that is investments were not made in accordance with the programme laid down in the plan, but depended on the meetings of managers of the plant. The meetings were led by Ruedemann, who did not even pay any attention to the instructions of the Planning Office.

The National Planning Office prescribed in its note of May 13th, 1948, 225,000 metric tons of crude oil production for the second half-year of the plan, and at the same time called on the management of MAORT to eliminate the losses shown in the financial plan by an adequate reduction in operational, commercial and central expenses, and to hand in a recommendation for the elimination of the losses within two weeks. Ruedemann answered this note in a letter and protested against the prescribed oil production. He also protested against eliminating the losses envisaged

for the second half-year of the Plan by a reduction of operational and administrative costs. He was not willing to prepare recommendations in this direction and to hand them in to the Planning Office, because in his opinion this note was an interference by Hungarian government organs in the business of MAORT in a way not permitted by the concession contract. This attitude of Ruedemann's is in sharp contrast with the obligation undertaken by MAORT in the 10th article of its contract made with the Hungarian State. According to this, MAORT undertook the obligation that "inasmuch as it can do so without injuring its own interests it will pay attention to the economic interests of Hungary". The interests of Hungary would doubtless have demanded compliance with economic planning and an increase in oil production. These considerations were in full harmony with the economic interests of MAORT, too, since it is the prime interest even of a capitalist business enterprise to increase production and thereby profit. The heads of MAORT could not have been led by economic considerations in the organization of sabotage, but only by the central instructions of a political character received from New York, namely that by lowering production they should injure Hungarian economic life and weaken Hungarian democracy.

When the investment plan for MAORT was compared with actual investments made, it turned out during the investigation that the latter were 9,823,000 forint below the amount prescribed. Among the plans not executed we shall mention only those most important for production. The concern did not purchase the ten deep pumping units and one well-handling system which would have been of decisive significance for production ; for the investigations held on behalf of the Planning Office established that they would have made possible the exploitation of wells which are at present not producing. In connection with the above, Paul Ruedemann acknowledged : "To keep oil production at its former level would have necessitated the employment of pumps after the war. With these pumps we could have increased oil production by 200 metric tons daily. The engineers working at the oilfields constantly recommended the purchase of the pumps. I, to prevent an increase in production, told Bannantine that the purchase of the

pumps must be taken off the agenda. Only in 1947, when the Supreme Economic Council definitely demanded that they be bought, did we order the pumps in the U. S. A. The majority of the items of equipment ordered, among them the pumps, have not arrived to this day. When in December 1947 I went to New York, Mr. Brice, head of the production department of Standard Oil, told me that he does not intend to allow the delivery of the equipment ordered as Hungary politically opposes the U. S. A." The confession of Bannantine supplements the above statements of Ruedemann : The exhaustion of the oilfields because of the forced production during the war would have necessitated more and more the employment of mechanical and secondary methods after the Liberation. For this purpose it was a decisive question to procure deep pumps, well repairing and completion equipment. Although, from the plants themselves, urgent demands for the above equipment followed one after the other, from the end of 1945 on, — I instructed Bódog Ábel, the head of the purchasing department, not to order the equipment demanded for the time being. In summer 1947 I was forced to give instructions for having the pumps and other equipment ordered from America, because the board of examiners sent out by the Supreme Economic Council ruled that this was necessary and made available for me a credit of 300,000 dollars for their procurement."

To Hungarian authorities, the management of MAORT repeated that a portion of the machines had already been shipped from the U. S. A. and that they had been stored since March 1948 in Genoa. This statement is sharply contradicted by a letter addressed to Ruedemann and dated from New York on August 26th, 1948, in which Mr. John W. Brice acknowledges that Ruedemann and Co. had withdrawn their whole order. For that matter, Ruedemann himself acknowledged this : "In the summer of 1948," he confessed on September 23rd, "I cancelled the orders from New York which we had effected with the 300.000 dollar credit made available to us by the Hungarian Government."

From the confession of Bódog Ábel it became evident that the heads of MAORT did not only prevent the purchase of the depth pumps and other machinery absolutely necessary for production and prescribed by the Planning

Office, from abroad; they also consistently prevented the repair of the machines which were already in their possession but needed fixing. "After the plants had noticed," said Bódog Ábel, "that the ordering and delivery of the deep pumps was late, Dr. Richard Falk, the manager of the central machine repair shop at Nagykanizsa, started intensive work on the repair problems of the depth pumps. For this work the purchase of a universal polishing machine was necessary. In the beginning of 1946 Dr. Falk demanded in writing the purchase of such a machine from the purchasing department, of which I was head. Dr. Falk came to see me several times, urging even personally the important and immediate need for getting a polishing machine. I got a series of letters urging the purchase, but, one and a half years after the order had come in, we called on the machine repair shop to hand in another demand for administrative reasons. I admit that because of our late order it was only in February 1948 that a polishing machine made by Kamenitchek arrived from Czechoslovakia. For the sake of truth, I must state that I urged that this polishing machine be ordered, recognizing its huge significance for production, to George Bannantine, and the delaying of the order was done entirely at his instructions."

In February 1948, the polishing machine finally arrived from Czechoslovakia. The sabotage, however, did not end here. In his testimony, Richard Falk presented the following evidence : "We were not able to put the polishing machine into operation because we did not have a polishing disk of the right size and quality available. So when the machine finally arrived after two years delay, we were still not able to use it. Right away I started correspondence with the Budapest purchasing department and asked them to procure immediately polishing disks with a diameter of 55 mm and a roughness of 46 grains. The purchasing department sent polishing disks after a few weeks delay but not of the size and quality required. They could not be used. At our concern everybody knew that the American owners of MAORT do not give any financial aid for investments. I was convinced that we would find it difficult to get machines and machine parts from the U. S. A. On the basis of this conclusion I planned to make new depth pumps in our central workshops at Nagykanizsa. At the time I told Mr. Bannan-

tine, too, of my programme. In connection with the above, I wish to state that in 1946 Mr. Bannantine on the occasion of one of his supervisory visits to Nagykanizsa said in answer to my questions about the machines needed for the repair shop, "Don't hurry it, be patient, the whole thing isn't so important."

The heads of the concern hindered all investements prescribed by the plan which would have fostered production, and they opposed the instructions of the plan when money had to be used for other purposes just as consistently. Evidence of this is given by the letter of the National Planning Office to MAORT dated from June 24th, 1948 :

"It came to my knowledge that you, Sir, have carried on the building of flats on your property near Nagykanizsa without our permission. You are carrying on this construction very expensively compared to present day prices (at 260 forint per cubic metre). A five-flat rowhouse is costing 344 forints per cubic metres as against the usual 200—220 forint. There are eighteen people working in the building office there, which is very much. Four to five persons could do the same work. As an average, a flat costs 73,000 forints instead of 50,000 forints. I call upon you to stop these anomalies immediately, not to build without permission, and to show the budget and plan of the construction first to my office."

It is characteristic of the spirit of MAORT's management that from the 1,250,000 forint appropriated for supplementing their stock of cars and trucks, they have used up all the 200,000 forint which were appropriated expressly for the purchase of passenger automobiles, but of the 350,000 forint envisaged for the purchase of trucks, they have used up only 244,000 forints.

The report of the State Control Centre at the end of the investigation made on behalf of the National Planning office was the following : "From a summary of the detailed data it becomes apparent that the investment and repair sections of the industrial plan of MAORT were prepared without the necessary care and with faulty groupings, which may possibly aim to mislead." The police investigation since undertaken supports this thesis on all counts and, what is more, proves without a doubt that the heads of MAORT, by sabotaging the purchase of materials, by the proportions

and autocratic changes of their investments, by deliberately misleading the Hungarian authorities, by denying the execution of the instructions of the National Planning Office, have seriously offended against planned economy which aims at raising the standard of living of the Hungarian people.

C) TECHNICAL SABOTAGE.

I. Exploration.

After the Liberation, MAORT made 11 test borings in areas which, from the point of view of gaining oil, are third-rate and the use of which cannot be scientifically justified. These areas did not yield any results in the course of the exploration.

The witnesses whose testimony was heard, Kálmán Barnabás, MAORT chief geologist; Dr. György Kertai, assistant professor of geology; Dr. György Szalánczy and Dr. János Tomor, both MAORT geologists; Dr. László Strauss, Szilárd Oszlaczky, and Viktor Schäffer, MAORT geophysicists, unanimously stated in their testimony that according to their judgement, as experts called to the locations, from among the trial borings whose site was chosen by Managing Director Dr. Simon Papp, the following must be third-rate sites from the point of view of gaining oi Pince No. 1, Mihályi No. 5/b, Igal No. 1 and 2, and Salomvár No. 3. Drilling at these points should have been done only after other more hopeful sites had been explored. According to these experts these trial borings had no scientific basis, that is, they were selected according to unacceptable scientific considerations, and were suitable only for gaining further knowledge of geological data; the occurrence of oil could not be expected in them.

Simon Papp related in his confession that after the Liberation he chose the sites of the drillings at Pince No. 1, Mihályi No. 5/b, Igal No. 1 and 2, and Salomvár No. 3 independently, without asking the opinion of others, deliberately at places far, and dispersed from the oilfields already opened, where at the time, even according to his own conviction, he could not expect to find oil. In his confession he admitted that drilling at these points should have been considered only after exploring other more promising places and then only to gain geological knowledge from them. According to

his own judgement, there are more hopeful areas on the exploration grounds of MAORT for gaining oil. He chose the sites for the points of drilling, mentioned above, at such third-rate areas in order to prevent MAORT from increasing its oil production by opening new oilfields.

In his confession he also acknowledged that besides the five test borings the site of which was picked by him independently, he considerably influenced the geologists of MAORT in the course of discussions to start borings at Nádasd No. 1, Vétyem No. 3, and Inke No 8, sites which he already considered hopeless, in advance.

Furthermore, Simon Papp related in his confession that besides the eight trial borings sunk by MAORT, and mentionet above three other borings were done at boring points Vétyem No. 1 and 2, and Inke No. 7 in the selection of which it is true that he himself did not take part, but, — as is apparent from the above, — he had already previously recommended that these areas be drilled.

None of the 11 trial borings carried out between 1945 and 1948 and listed above had any results as far as oil production is concerned. According to the books of the concern they cost 13,369,476 forint. Such huge sums were wasted when MAORT was struggling against serious financial difficulties. The 5 sets of drilling equipment used for the deliberately ill-placed drillings could not be used in the immediate neighbourhood of the already established oilfields, that is, in the opening of new oil areas in geological affinity with those already under exploitation and therefore hopeful for the gaining of oil. By using some five of the 7 sets of drilling equipment for the 11 deep-borings, only two sets remained to make drillings which would increase oil production in the fields under exploitation.

According to the confession of Simon Papp and the testimony of witnesses, new trial drillings near the existing oilfields which were already in production, should have been made instead of this type of drilling. These would have made it possible to balance, or even increase the diminishing production of oil by MAORT. From the point of view of production it would have been far better to have used the existing equipment to complete the survey of the remaining entire series of miocene layers of the Lovászi structure and of its other beds as well as to continue the exploration

of some of the more hopeful parts of the Lendvaújfalu structure and of the area around Jakabfalva at the east end of the Hahót fields, geophysically and by boring. These would have been more suitable to do what the Hungarian Government had asked of MAORT — that is the discovery of new oilfields and the increase of oil production by exploiting new wells. By sabotaging the drilling of the more hopeful places where oil might be expected to be found, they succeeded in reducing the production of oil.

According to the testimony of MAORT geologists and geophysicists heard as witnesses, the carrying out of scientific research between 1945 and 1948 was hindered to a great extent by the fact that the MAORT, that is to say Simon Papp, only made possible, the beginning of the taking of geophysical measurements necessary for the trial drillings after a great number of requests in spring 1947. The instrument necessary for these measurements was to hand, but Simon Papp, despite the requests of these geophysicists, did not give them a car to carry the instruments in.

From the testimony of Simon Papp and the above witnesses, we have established that MAORT did 14 exploratory deep-borings since the Liberation to the west of Hahótederics to exploit the natural gas-fields containing a condensate of benzene which had been found in drilling No. H/30. The exploration of this gasfield provided an apparent justification for further drillings from the point of view of the search for a possible oilfield, but because there were not adequate geophysical measurements, the 14 drillings were located by rule of thumb. The number of borings made could have been much smaller, had these geophysical measurements been made. In this way, however, it was only after 14 drillings that it was possible to see that the field contained only wet gas, the exploitation of which was not possible at the present for lack of a gasoline plant. So the greater part of the 14 deep-drillings was for the time being unjustifiable. The results of these drillings can only be used sometime in the future ; and at any rate they were of no immediate use to Hungarian national economy despite the fact that at the present the drilling equipment and finances available may be used only to achieve an immediate increase in oil production. The two teams working here were in fact diverted

from the real work of exploiting the fields and so this, too, was a factor in decreasing production.

The survey of the gasfield at Hahótederics was done on the instructions of Simon Papp and the American leaders of the enterprise, Paul Ruedemann and George Bannantine. Simon Papp, in his confession, admitted that the 14 drillings done to explore this gasfield were more than could be justified. The MAORT geologists and geophysicists mentioned above and heard as witnesses, unanimously testified that this unjustifiably large number of drillings could have been avoided, had Simon Papp not prevented the work of making the necessary detailed geophysical measurements.

Dr. Kálmán Barnabás, the head geologist of MAORT, said in his testimony that he was sure already before 1947 that at Hahótederics they would only find gas, which they could not at the present use and so he had opposed the borings sunk there unjustifiably ever since 1947. According to his statement, he drew the attention of Paul Ruedemann and of George Bannantine to this fact and asked for these drillings to be stopped. However, both of them said that they thought it desirable to complete the examination and survey of the field, and for this reason they would not stop these unnecessary drillings. According to his testimony, it was for this reason that the beginning of deep drilling No. H/43 at the eastern end of Hahót, by Jakabfalva, which had been planned at the geophysical maximum, suffered delay. It could only be sunk when they finished the useless prospecting of the gas-field at Hahótederics in summer 1948. According to the testimony of the witnesses, the drilling of this area, which is far more hopeful from the point of view of oil production, was impossible up to 1947 because the making of the necessary geophysical measurements had been prevented in the way already detailed. From 1947 onwards, the obstacle was that Ruedemann and Bannantine, despite the request of the head geologist Barnabás, had not allowed the drilling team to move to this spot and do their job there until summer 1948. According to the witnesses, this location was hopeful from the point of view of striking oil, and their opinion is affirmed by the completion of this well on August 30th, 1948 since when it has increased MAORT's daily production by an average of twelve

cubic metres. The most important of its results was that it meant the exploitation of a new oil field. Drilling in this area has now begun in an intensive way. According to the testimony of the experts, this area could have been exploited years ago if Simon Papp as well as Paul Ruedemann and George Bannantine had not wilfully prevented its exploitation.

In connection with these drillings, Ruedemann said: "We falsely presented the decrease in production as a necessity although we had purposely omitted economically to exploit the existing wells. So as to prevent an increase in production, I agreed that Simon Papp, who had readily adopted the point of view of the leaders of Standard Oil should lead the exploratory drillings incorrectly. After consultation with me, they located the borings in such a way as to lie far from the explored fields at Lovászi and Budafa, where the affinity of the geological structure made the chances of striking oil best. I talked over the prospective drillings at Nádasd and Salomvár which did not look hopeful for striking oil with Papp Simon, but we did not start drilling at Jakabfalva, which was the most hopeful area. We only started drilling here after a very harmful delay, and this boring has already had results. The drilling of the remaining gridpoints at the fields at Budafa and Lovászi would have been sure to strike oil so we left these."

II. Production

1) According to investigations to date, of the 44 deep wells done at the Lovászi field of the MAORT, since the Liberation, the thirteen so far examined, were wilfully completed in an incorrect way.

The most significant of these cases of faulty completion, was when despite correct proposals made, which took into account all the scientific, technical, and production data, they only permitted a partial opening up of the exploitable oliferous layers. Another similar fault in completion was that in some drillings they opened up the layer at an unsuitable place, that is, at an unsuitable depth and moreover that they put the well into production with simultaneous exploitation of unsuitable layers. The third, and again a similar mistake, was that they opened the layers in insufficient thickness.

The above faults occurred either singly or together in 13 drillings.

The result of these incorrect methods was that they did not exploit to the maximum the oliferous beds present in the wells and in this way they prevented the increase of production in each instance.

At the same time, they also opened up one of the two wells sunk since the Liberation at Budafapuszta incorrectly, and for this reason it gave a small yield. In this way, with these 14 technically incorrect and faulty processes they considerably decreased the quantity of oil which could be brought to the surface.

2) The second incorrect and faulty technical process which resulted in a decrease in production was the unjustified use of smaller beans. According to the investigations so far concluded it has been established that of the changes of bean which have to be considered separately in each instance, they decided in the case of six wells on a change from a larger to a smaller bean and in this way they caused on the one hand a considerable decrease in production, and on the other hand they increased the gas-oil ratio referred to in the reasons given, to a great extent.

Ad 1. In connection with the first question the chief geologist of MAORT and the MAORT geologists Dr. György Kertai, Dr. János Tomor and Dr. György Szalánczy unanimously said the following in their testimony:

In the case of a great number of the drillings done after the Liberation, the opening up of oil layers undoubtedly ripe for exploitation, in the interest of increasing oil production, was only done in part, and the opening up of many layers, which would have been justified both geologically and technically, did not take place. These things could have been done without any great technical difficulties, but according to the testimony of the geologists, they got instructions for doing other jobs instead of those they had recommended.

Dr. Kálmán Barnabás definitely stated in his testimony that he, as head geologist to the firm, did not have the right to any independent action. In each case before testing the beds he had to ask the leaders of the enterprise, in the first place Paul Ruedemann, and from 1946 onwards George Bannantine. After putting forward his own proposals, he

got instructions for the tests from them. As an employee it was his duty to forward these instructions to the operatives, and to conduct his investigations according to them, even if these were contrary to his recommendations and if they seemed to him technically incorrect.

Dr. Barnabás, in the case of the 14 wells he enumerates in his testimony, said that in each case he had asked George Bannantine who, contrary to his proposals, did not give permission for opening the hopeful beds, or opening them in appopriate thickness, but, on hastily construed pseudo-geological grounds with which he himself did not agree, gave instructions which in effect impeded an increase in production.

The geologists Dr. György Kertai, Dr. János Tomor and Dr. György Szalánczky, in their testimonies, say that the concrete instances enumerated above prevented a considerable increase in production, in that they were carried through in an incorrect and faulty way from the technical and geological points of view. They could not raise their voices against them because their superior Dr. Kálmán Barnabás gave his instructions as the points of view of the American leaders of the enterprise. Their statements are corroborated by the technical data and reports which have been examined.

According to these testimonies, Bannantine in the case of the 14 wells listed below, did not permit the execution of suggestions for increasing production, or changed correct proposals:

In the perforation of *well No. L—126,* acting against the proposal submitted, they cemented up the Lovászi bed which gave 9 cubic metres of oil a day, instead of making it produce by using a packer, and instead of it they opened up a gaseous level situated higher up, even though they knew in advance that it was gaseous. Following this, at the opening up of the Alsórátka sands they did not allow the opening of the gas cap of the bed to the oil which was poor in gas. — They did not perforate this part in the correct thickness. As a result of this the well could produce only by pumping or a gas lift. Its production is today a mere 1.3 cubic metres of oil a day, although if the correct process had been employed this quantity could be approximately 12 cubic metres.

In the peforation of *well No. L—99/b,* acting against the recommendations, they did not allow the opening of the uppermost sand of the Lovászi series which would undoubtedly have guaranteed a significant output of oil by flowing production. Although at the start the well produced nearly 10 cubic metres of oil a day, the production of oil and gas soon stopped because the opening of the bed mentioned had been prevented, so that according to the September data the well yields an average of 4 cubic metres of oil weekly, and even that only by bleeding.

At the perforation of *well No. L—141* the opening of the top layer of Felsőrátka sand which had been suggested because of the lack of gas, was not allowed. Therefore continuously flowing production did not develop, and according to the September data, with the use of a gas lift, only 8.5 cubic metres a day of gas are obtained, and this too, is decreasing day by day. With correct working and flowing production, a considerably higher output of oil could have been guaranteed.

At the testing of the beds of *well No. L—109/b* contrary to the recommendations submitted, they did not allow the opening of one layer of oliferous sand each, for both the Lovászi series and the Alsórátka series, although both of them would have contributed greatly to an increase in production.

At the testing of *well No. L—116,* contrary to recommendations, Bannantine did not permit the upper member of the Sziget series being opened, though this would have raised oil production. For this reason the well yielded 2 to 3 cubic metres of oil. According to the September data it is producing only with the employment of a gas lift at a rate of 1.5 cubic metres a day and is probably becoming exhausted. The testing which was recommended would have caused no technical difficulties or complications.

In the case of *well No. L—117* they did not allow the opening of two different oliferous sand-beds of the Felsőrátka series which would undoubtedly have helped to raise oil production. The testing carried out resulted, despite hopes for better results, in an output of only 12 cubic metres of oil a day with a low gas-oil ratio, which is expected to lead to a further decrease in production. The process which was recommended could have been carried through without difficulty.

At the testing of *well No. L—120* they refused permission for the opening of the second sand of the Lovászi series and of two further sands of the Alsórátka series, although their opening had been recommended with the purpose of increasing oil production, and thus, despite good initial prospects, the well yielded only 11·5 cubic metres a day, with a low gas oil ratio which will probably lead to it becoming exhausted. The testing could have been carried out without any technical difficulty.

At the testing of *well No. L—122* the sand of the Lovászi series was not opened to the correct thickness and, despite the recommendation they did not allow either the upper part of this sand or the following Lovászi sand to be opened. They had justified this, by talking of the large output of the well, which at first yielded 42 cubic metres of oil a day. Permission to carry out the recommendation could only have increased output. Now, however, the well is yielding, only 28 cubic metres of oil a day.

At the testing of the beds of *well No. L—123*, according to the recommendations, to increase production it would have been necessary to open the second sand of the Lovászi series and the upper sand of the Sziget series. This, however, was not allowed, and at present the well's daily output is no more than 6·7 cubic metres.

At the testing of *well No. L—127*, hopeful possibilities had made it possible to propose the opening of the lowermost sand of the Alsórátka series, which was, however, not permitted, on the grounds of the considerable production from the other layers opened, as this well had at the beginning been giving a daily yield of 42 to 53 cubic metres. At the present, however, the well is yielding 31 cubic metres of oil, and this too, is expected to decrease still further.

At the testing of *well No. L—128*, the opening of the lower sand of the Felsőrátka series, was recommended, to increase production, but permission was refused, although the process could have been carried through without any technical difficulties. This process was proposed by the geologists of the firm, in writing. The well at present produces 24·6 cubic metres a day, but its yield would have been increased by carrying out the proposals of the geologists.

At the testing of *well No. L—130* permission to open the lower part of the Felsőrátka sand, to the correct thickness, so as to increase the yield, was refused. This process would have been all the more justified as the daily yield from this well is no more than 2·9 cubic metres.

At the testing of *well No. L—140*, contrary to the recommendation made in the interests of increasing the yield of oil and of raising production, they refused permission for the upper sand of the Felsőrátka series being opened, that is, the layer being perforated to a more adequate thickness. The well is, at present, producing 23·6 cubic metres a day, with a relatively low gas oil ratio and therefore a further decrease in production may be expected. The proposal would have eliminated just this decrease.

On the occasion of the opening of *well No. B—131* in June 1948, contrary to the proposals submitted, they did not allow the opening of the oliferous layer of the Zala series and, consequently, the gridpoint which had been drilled as a test, yielded only 6·3 cubic metres a day. That the original recommendation was right is clearly shown by the fact that well No. B—132 in which the Zala bed and the Kerettye bed were opened together, according to the recommendation, yields 47 cubic metres a day of oil with flowing production. Most of the oil comes from the Zala series.

Dr. Kálmán Barnabás, summarizing these 14 cases in his testimony, says that George Bannantine in each of these cases of incorrect or faulty procedure at the completion of the well, acted against his recommendations, and gave instructions without an adequate technical and scientific basis. This not only did not make for maximum oil production but even hindered existing production to a great extent. He says that these instructions were contrary to his own technical and scientific conclusions. According to him, George Bannantine is far too good a technical man not to have realized the correctness of his recommendations for increasing the output of oil.

Ad 2. On the question of reducing production by technical means, that is, of changing the beans in some wells, from ones of larger to others of smaller diameter, Béla Binder, the head of the production and technical department of MAORT, Lajos Kassai, the head of the

production department at Nagykanizsa, József Varga, the production engineer at the Lovászi plant, and László Bencze, the production engineer of the Budafa fields gave testimony. From their testimony as well as from copies of official correspondence, production data, and records of bean changes at the various fields, it has been established that they regularly changed the beans for smaller ones at MAORT plants.

Béla Binder, head of the production department, said in his testimony that at the end of 1945 and the beginning of 1946, Paul Ruedemann had several times given instructions through him, as well as directly, for changing the beans in certain wells for smaller ones. He said that in 1947 and in 1948 he had been given similar instructions by George Bannantine in a number of cases, when he had told him to put in smaller beans. According to his statement the reason he was given was that that particular month the production quota would in any case be produced. Binder testifies that he had several times spoken to Bannantine against these bean changes which meant a decrease in production. He proposed that it would be better to produce more, so as to have some reserves, but he said Bannantine replied that it was not worth while to produce more than the quota. Binder admits in his testimony that it was he, who on orders from Bannantine gave instructions for the repeated changes of beans in wells Nos. L—7, L—11, L—52, L—136, L—140, and L—142, of which details are given below. He admitted also that decreasing the diameter of the bean on these wells led to a drop in production. He firmly maintained that he had only changed beans on orders from George Bannantine.

Production engineer László Bencze, said in his statement that Béla Binder had at the instructions of the American leaders worked for closing down the wells and had not proposed measures to save the wells, or to experiment with beans of greater diameter in the interests of production. Instead, he was for closing down the wells.

Production engineers Lajos Kassai and József Varga in their statements both said that ever since 1947 every time it seemed as though they could fulfill the production quota for the month they got instructions from Béla Binder to decrease production, by using beans of smaller diameter. The reason given was that it was necessary to decrease the output of gas.

According to Kassai, Béla Binder always referred to orders from the American leaders of the enterprise in these cases. Both of them agree in saying that the use of the smaller diameter beans which cut down production was harmful and incorrect. In the case of wells Nos. L—7, L—11, L—52, L—136, L—140, and L—142, whose details are given by them below, even the official record shows that oil production decreased considerably after changing the beans, while the gas oil ratio of the wells increased considerably.

At *well No. L—11* the bean was changed four times, decreasing from 10 to 6 mms between March 18th, 1947 and June 30th, 1948.

When the bean was changed on March 18th, 1947, production was 34·9 cubic metres of oil per day with a gas oil ratio of 885. They were using a 10 mm bean. On June 30th, 1948, however, when they changed from an 8 mm to a 7 mm bean, production after the change was 7·4 cubic metres with a gas oil ratio of 3,088. This change, or rather decrease of production, may be seen from the production records. Later on, the well had to be closed down.

At *well No. L—52* where the bean was changed three times between September 18th. 1947, and July 30th, 1948 from 10 mms. down to 7 mms, a fall in production of 30% occurred. On September 18th, 1947, daily production was at 15·5 cubic metres with a gas oil ratio of 1,783. When the latest change was carried out, production fell to 9·8 cubic metres and the gas oil ratio shot up to 2,273.

At *well No. L—7* the 12 mm bean was decreased in November 1947 to one of 10 mms diameter. On November 9th, 1947, production was 28·5 cubic metres of oil a day, and the gas oil ratio was 956, while on November 9th, after the change, the well yielded 15·7 cubic metres of oil at a gas oil ratio of 1,106.

At *well No. L—136* they changed the bean on November 17th. 1947, from one of 8 mms. to one of 5 mms. diameter. Production the day before the change was 11·6 cubic metres of oil, with a gas oil ratio of 1,757, while on November 18th, after the change, output was 8·8 cubic meters of oil, at a gas oil ratio of 2,257. The well had to be closed on January 2nd, 1948. In this case, as in the case of well No. L—11 mentioned above, the decrease in bean diameter meant not only a decrease in production, but eventually entailed the closing down of the well.

In the case of *well No. L—140,* the bean was reduced once in December 1947. The size was reduced from 10 mms. to 7 mms., as a result of which oil production dropped from 18·1 to 9·7 cubic metres a day.

At *well No. L—142,* the bean was changed in March, 1947 from 10 to 8 mms. The production of the well which was originally 14·3 cubic metres a day, with a gas oil ratio of 115, decreased on April 22nd, to 2·2 cubic metres with a gas oil ratio of 2,838. In the end, the well had to be closed down on April 26th.

These examples show that the decrease in the size of bean used, regularly involved a rise in the gas oil ratio of the well, and also meant a drop in production.

HOW THEY SABOTAGED THE BUILDING OF THE LISPE-BUDAPEST PIPELINE FOR NATURAL GAS

In spring 1945 conversations were started between the appropriate authorities of Budapest City Council and MAORT, on the question of supplying the city with natural gas from Lispe. The conversations were not successful, and Simon Papp had the following to say about this in his testimony : "I represented MAORT myself,at the first conversations in 1945, and then later in January 1946 when Paul Ruedemann was also at Budapest, he too joined in these talks. The City Council start ed these negotiations, because at that time it was very difficult to supply Budapest with gas and the Gas Works could not secure an adequate supply for industry and for domestic consumption.

"The City Council know that a considerable amount of natural gas escaped into the air from the Lispe MAORT plant without being put to any use. They wanted to use this precious national resource, in the interests of the people of Budapest.

"I as the leader of MAORT was well aware, on the one hand of the importance of supplying Budapest with gas, and on the other, of the fact that at this stage in reconstruction, we could not adopt a negative attitude. For this reason, we regularly took part in the conversations which were to follow. Since, however, Paul Ruedemann had come from

America with instructions that MAORT was not to undertake any new commitments, either where oil, or other products were concerned, we tried to maintain that MAORT was ready to do anything in the interests of Hungarian national economy — but at the same time both I and Ruedemann, in the course of our conversations with the Gas Works and the Council in 1946 and 1947, tried, by preparing plans, to pretend to be helping, but in actual fact we sabotaged the whole scheme. I admit that we put every obstacle in the way of executing the plans, that is, of bringing the gas from Lispe to Budapest, although our contracts implied certain obligations by MAORT in this matter. In the course of the conversations when it came to putting the scheme into practice, we always put forward difficulties which prevented its execution. We made excuses about the shortage of materials, and about the unstable economic and financial situation and we emphasized that MAORT had no capital to invest. At other times we said that we did not have the pipes necessary for the pipeline and that we could not buy them anywhere, but we said that Mr. Bannantine would try and get hold of them from Czechoslovakia. We said also that the Ministry of Industry asked us to produce in such a way as led to an extraordinary wastage of gas, besides not being rational. We could, however, only guarantee the supply of gas, if we could rationalize production by decreasing the volume of oil produced considerably, in this way stopping the wastage of gas, and thus being able to guarantee the amount needed by the city for about 12 years. We did all this, knowing that MAORT could have supplied the city with gas in the way desired.

"It was after this, that on the basis of our false excuses the Mayor of Budapest turned to the Minister of Industry, asking him to approve of a decrease in the production quota set for MAORT, so that the city could have its natural gas.

"At the beginning of 1946 Paul Ruedemann went to America for a short time, and when he came back from there he gave us instructions to hold conversations on the question of supplying Budapest with natural gas, but to prevent this being put into practice.

"I admit that, according to American instructions, I took an active part in sabotaging the pipeline from Lispe and that I hindered the recovery of Hungary by doing this."

What has been said, is only a brief summary of the large-scale sabotage campaign which the American and Hungarian leaders of MAORT have been carrying on for three and a half years, and with which they have caused untold damage to Hungarian recovery. Their campaign had political motives: the American monopoly capitalists hate democracy in Hungary. The result of their sabotage was a considerable drop in Hungarian oil production. The political views of the owners of the Standard Oil Co., are shown most clearly by the production record which shows the development of oil production by MAORT. Production which had, during the war, increased twentyfold from 1938 to 1944, decreased again from an output of 809,969.639 kilograms in 1944, to 569,347.516 kilograms by 1947. In January 1945, when battles were more or less ranging round the wells, they still had a gross output of 2145 metric tons a day on the average. In January 1948, after four years of reconstruction, the figure hardly reached 1,292 metric tons. The decrease in production per day between January 1945 and June 1948, was 39·8%. That was the result of the activities of Ruedemann and Co.

On the basis of all this, both of the confessions of the saboteurs Paul Ruedemann, George Bannantine, Dr. Simon Papp, Bódog Ábel, and the other accused, and of the undeniable technical data — both the subjective and the objective factors undoubtedly prove that at the instructions of American circles and under the leadership of the head office of the Standard Oil Co., its representatives here have directly led a large-scale regular sabotage campaign with political aims directed against democracy in Hungary, for some years past.

The Hungarian State Police, have put an end to the campaign by discovering it, and the Government, by putting MAORT under State management.

I came to Hungary for the first time in September 1931 where later I directed the Standard Oil Co. of New Jersey subsidiary, the MAORT. I did my best to open up oil fields and build up the oil production. In the two years prior to the war and the two war years the production grew from 1 million cubic meters in 1937 to 42 million cubic meters in 1941. I realized that this rapidly growing production benefited the German war machine but I did nothing to reduce the production. When in 1941 war broke out between Hungary and the U.S.A., I returned to New York. I entrusted the management to Dr. Papp Simon. He was a pro-nazi and did everything in my absence in favor of increasing production still more. I directed him to ask for instruction in important questions from Mr Klotzer who [illegible]

Confession written in Paul Ruedemann's own hand.

a German national and chief of the Deutsche Amerikanische Petroleum Gesellschaft which was a well known Nazi enterprise. This Company received the oil export of the MAORT.
In November 1945 I was instructed by the management of the Standard Oil Co. to return to Hungary. Mr. Fetzbank, Mr. Bolton and Mr. Collum, heads of the Production Department, stated that the Hungarian oil production must not be increased. It was our aim, according to them, to save the oil in the ground for the time when the change of the Hungarian political situation will secure a more profitable exploitation for the Standard Oil Co. In February 1946 Mr. Bannantine, my assistant arrived in Hungary with the same instructions as I. I discussed the problem of production from this angle with him, Dr. Pepys Simon

Confession written in Paul Ruedemann's own hand.

Abel Boldog and Temesvary in my eyes the reliable top officials of the Company. I explained to them individually that an increasing production ~~of the~~ opposes our interests. I declared that with this statement - I gave in general direction of detrimental effect to those who directed the MAORT operations in details.
To keep production at the previous level necessitated pumps of the type. The engineers working in the fields repeatedly suggested to purchase these pumps. To prevent increase of production I communicated to Mr. Bannantine that purchasing of the pumps must be omitted from the agenda. It was only in 1947 that we ordered these pumps in the U.S.A. when the Supreme Economic Council urged us to do so. The Hungarian National Bank gave us sufficient

Confession written in Paul Ruedemann's own hand.

currency for that purpose. The greater part of the ordered equipment including the pumps has not arrived to the present time. When, in December 1947, I went to New York Mr. Brick, Head of the Production Department of the Standard Oil Co. told me that it is not their intention to ship the ordered equipment as Hungary is politically opposed to the U.S.A.

We carefully hid these circumstances from the Hungarian industries authority. We falsified the need for decreased production purposely, though we failed to exploit economically the existing wells on purpose only to prevent increase of production.

I agreed with Dr. Papp Simon, who readily adopted the points of views of the Standard Oil Co., detailed above, to locate the exploratory drillings incorrectly. After

Confession written in Paul Ruedemann's own hand.

discussion with me the drillings were located so that they should be far from the Hosszú and Budafa producing fields, where there was the most probability of finding oil because of the relationship of mountain structure. I discussed with Dr. Papp Simon the exploratory drillings made at Nádasd, Sálemok and Egyházasfalu which offered little prospect in regard of finding oil. On the contrary we did not locate drillings at Pusztaföld which offered the most prospects from the point of view of finding oil. But it is only recently that we began a test and this has already proven productive. The drilling of the undrilled riverside locations in the already developed fields of Budafa and Hosszúrétek would have brought oil to the surface therefore we omitted it.

Confession written in Paul Ruedemann's own hand.

As our aim had been to reduce oil production in Hungary after the war, we had to avoid investments that would have resulted in an increase of production. Before I came to Hungary in 1945 the leaders of the Standard Oil Co. had me that any American investment in Hungary is excluded. But the Hungarian Government itself was willing to give us the loan necessary to the investments. I always refused it as undesirable for our production policy, upon the advice of New York. Thus as much as we would have depended upon the Hungarian Government for a loan it might have affected our production system in a larger extent and was to be avoided. We had had outstanding claims the collection of which would have made some very important investments possible that would have resulted in an increase of

Confession written in Paul Ruedemann's own hand.

production. The Shell and Vacuum refineries owed large amounts to the NAFT. I definitely opposed – on the basis of instructions received from New York – the collection of these outstanding claims by bringing suits. The Vacuum and Shell still owe us 6 million forints.

I declare that my points of view and attitude toward the Hungarian political system was guided by the hope that after a possible turn to the right the present system will be smashed. And the NAFT will be able to continue in the same favorable atmosphere for the American shareholders existed under the previous regime. I needed reliable people to execute my ideas. For this reason I employed people like Dr. Papp Simon, Dr. Abgrimm and Dr. Temesváry, and Dr. Pándi who though being pro-fascist were

Confession written in Paul Ruedemann's own hand.

undoubtedly reliable for me. Eng. Vida Jun 02 - who had an important part of the MAORT's technical equipment taken to Austria in 1945 - and was a Nazi extremist - was taken to America by the Standard Oil Co. and given employment on my recommendation.

After Dr. Papp was taken into custody, Temesvary and Hajnal fled from the country. I owe a financial assistance to both of them in escaping. I offered Temesvary the prospect that I could be available to him in Switzerland, and I forwarded 8.000 Swiss Francs to Hajnal prior to his escape. And I asked Mr. Feldman, Manager of the Standard Oil Co. in Austria, to help him.

I declare that as Shareholders Representative of the American shareholders and as President of the Company I directed report

Confession written in Paul Ruedemann's own hand.

both before and after the war. I was in the position to decide financial, personal and production questions of the company. I handled the contacts with the authorities. It was in this capacity that I was able and undertook to mislead the government in regard to our critical aims and intentions. I stated several times to officials that we were producing in full swing and were doing our utmost to develope the company and exploit the concession. At the same time my attitude was directed by just opposite points of view. I declare that by letting them prevail I caused considerable damage to ~~this~~ Hungarian economic life.

Paul Ruedemann

Sept 22. 1948

Confession written in Paul Ruedemann's own hand.

I declare that at the end of 1945 I received definite instructions from Mr. McCollum, Mr. Estabrook and Mr. Bolton of the Standard Oil Company of New Jersey in New York that efforts should be made to reduce oil production in Hungary and that no serious efforts should be made to discover new fields. I was told this procedure is necessary because in the event of a third world war Hungary would fight against America and it is not desirable that Southeastern European countries belonging to the Soviet sphere should possess oil in significant quantities.

I passed these instructions along to Dr. Papp, Mr. Abel, Dr. Barnaba, Eng. Binder and Eng. Abzinger, Dept. Heads, as though it was necessary for technical reasons. However I communicated to both Dr. Papp and Mr. Abel

the political background of the instructions.

Although not holding the titles of position as before the war, Mr. Rudemann continued for all practical purposes to direct the policy of the company and I to act as field supervisor. The Dept. Heads consulted with us upon all important matters for decision and approval.

I declare that after the end of hostilities and because of the forced method of production carried on during the war, that the necessity for the use of secondary methods of production would be important. In line with this situation the purchase of deep-well pumps and well-repair machinery was a decisive factor.

From the end of 1945 onward the field operators urged the purchase of the above-named equipment but I instructed Mr. Abel, Head of the Purchasing Dept. not to order the equipment at the time. In the summer of 1947 I was obliged to place orders in America because an

investigating committee of the Supreme Economic Council ordered the requisition of same and for this purpose made available 300,000 dollars.

In line with instructions received in New York, I considered from 1946 on ~~that~~ the reduction of production in Hungary to be most important. I declare that although the Ministry of Industry prescribed the quantity of oil to be produced monthly, Mr. Ruedemann and I not only ordered the production to be less than the prescribed amount but we also made requests to the Ministry that we be permitted to make reductions. In these applications we used misleading technical arguments to support our requests and because our aim was to follow out New York instructions, to reduce production.

I declare that the financial policy of Nast was so directed that many superficial projects were carried out at the expense of more useful investments.

I declare that our system of collection of debts was an important

Confession written in George Bannantine's own hand.

part of our financial policy. This means that while we compelled the Hungarian refiners by legal process to pay their debts in a significant manner, we did not use the same legal process to press the Anglo-Saxon interests to pay theirs.

I declare that Mr. Ruedemann and I knew of the intention of Eng. Abzinger to escape after the start of the investigation of Nast and we provided for him 8000 Frs. for the purpose. Mr. Abzinger who was employed at the American Legation was presented this sum through the medium of Mr. Reynolds, American Vice-Consul.

I declare that since 1946 Mr. Ruedemann and I have transferred several times confidential reports to the American Legation from Nast and also during the investigation confidential documents concerning the purchase of equipment and correspondence with New York Headquarters of the Standard Oil Company.

G. B. Bannantine

Confession written in George Bannantine's own hand.

1938-ban a Maort megalakulásakor a Maort főgeológusa és az igazgatóság tagja lettem.

Elismerem, hogy a második világháború alatt tevékeny segítő" mértékben hozzájárultam a termelés nagymérvű emelkedéséhez, amire a német hadigépezet érdekében szükség volt.

A felszabadulás után a magam részéről kezdettől fogva a termelés csökkentése mellett foglaltam állást.

Knedelmann Pál 1945. novemberében Budapestre történt érkezése után azt az utasítást adta nekem, hogy a Maort termelését politikai indokból tovább kell csökkenteni.

Fenti amerikai utasítás alapján a Maortnál éveken át szabotázsfolyik, nevezetesen a termelés tervszerű

Confession written in Papp Simon's own hand.

csökkentésén túl szándékos intézkedésekkel egyre mélyebben zuhant a termelés. Ezt a szabotázst a legfelső fokon Knedelmann Pál és Bannantine György irányították.

Beismerem, hogy nem vitatom, hanem tervszerű és tudatos szabotázs következménye, hogy annig 1944. év végéig folytatott kutatásaim teljes eredménnyel vezettek, addig az 1945-től végzett kutatómunkám következetesen eredménytelen maradt.

Elismerem, hogy az általam kijelölt fúrópontokat szándékosan határmadrenchi területeken telepítettem, mert itt volt a legkevesebb remény arra, hogy a kutatás eredményeként olaj jelentkezzék. Így tudtam eleget tenni az amerikaiak által felállított azon követelményeknek nevezetesen annak, hogy nem kívánatos nyílt olajmezők feltárása és az olajtermelés fokozása.

S Papp Simon

Confession written in Papp Simon's own hand.

1933-tól 1948. januarig állam a Maort szolgálatában. 1938-ban lettem a beszerzési osztály vezetője.

Dr Papp Simon már 1946 februárjában közölte velem, hogy Ruedemann Pál szerint a termelés további csökkentése feltétlenül szükséges, mert lehetetlen jelenség, hogy a magyar olaj egyrészt az Amerikával szembenálló délkeleteurópai népi demokráciákat erősíti, másrészt egyáltalán nem kívánatos magának a magyar népi demokráciának a gazdasági megerősödése. Ezt az információt 1947 augusztusában és szeptemberében - amikor Papp Simon Amerikában tartózkodott és így én többször közvetlenül érintkeztem az amerikai vezetőkkel - Ruedemann Pál előttem is megerősítette. Tonticskez hozzátette, hogy az érzékenység is azt diktálja, hogy a Maort olajtermelését csökkenteni kell, mert nem kívánatos az olaj olyan országokban, amelyek talán a közeljövőben hadat viselnek az USA ellen.

Ruedemann Pál és Bannantine György már

Confession written in Ábel Bódog's own hand.

1946 elején azt az utasítást adták nekem, hogy a beszerzési kérdésekkel intenzíven foglalkozni nem kell, mert a cél a termelés csökkentése és ezek az újonnan beszerzendő berendezési és felszerelési tárgyak kormelés emelkedéséhez vezetnének. Igen gyakran előfordult, hogy az üzemek részéről felküldött anyagigényléseket Bannantine, vagy Schudell összetépték, vagy arra adtak utasítást, hogy azokat csak hosszabb idő múlva szerezzem be.

1946. eleje óta az üzemek egyre intenzívebben sürgették a mélyszivattyúknak a beszerzését. Mivel a magyar gyártmányú mélyszivattyúk nem váltak be, ezért az Amerikából való beszerzésre kellett gondolni. 1946-tól kezdve többízben tárgyaltam Ruedemann Pállal és Bannantine Györggyel és kértem, hogy adjanak engedélyt a mélyszivattyúk Amerikából történő megrendelésére. Ruedemann és Bannantine azonban határozottan arra utasítottak, hogy a szivattyúkat egyelőre ne rendeljem meg. Csak 1947. júniusában voltak kénytelenek hozzájárulni a rendelések feladásához,

Confession written in Ábel Bódog's own hand.

amikor a Gazdasági Főtanács által ki-
küldött virogalóbizottság utasította a vállalat
vezetőségét a szükséges felszerelési és berende-
zési cikkek megrendelésére és a szükséges
dollárösszegeket is rendelkezésére bocsájtotta.

Mivel új mélyfúrásokhoz az üzemek
fenti okból nem jutottak, erőgalmazták a há-
ború alatt megperelik régi mélyfúrásaik javítá-
sához szükséges univerzális csőforgógép beszer-
zését. Ugyanigy évek óta szükséges lett volna
Kutjavító és Kútkezelő berendezés megrendelé-
sére is

Ezeknek a megrendelése is részett legalább
másfél évet, mert Bannantine György erre uta-
sította a fentebb már kivatkozott indokokból.

Confession written in Ábel Bódog's own hand.

ENGLISH TRANSLATION OF CONFESSION WRITTEN IN DR. SIMON PAPP'S OWN HAND

In 1938 when MAORT was founded I became its chief geologist and member of its board of directors.

I declare that my activities decisively helped to increase oil production on a large scale during the second world war, — in this way strengtening the German war machine.

After the Liberation I decided in favor of reducing oil production from the very beginning.

Paul Ruedemann instructed me in 1945, after his arrival in Budapest, further to reduce production by MAORT for political reasons.

On the basis of the above instructions from America sabotage has been carried on at MAORT. By means of intentional instructions production has been made to fall more rapidly than the natural decline. This sabotage was directed at top level by Paul Ruedemann and George Bannantine.

I declare that it was no accident but the consequence of intentional sabotage that, though my explorations were very succesful up to 1944, they were consistently unsuccessful from 1945 onwards.

I declare that the drilling locations designated by me were deliberately in third-rate areas because this is where there was the least hope of striking oil as a result of the drilling. In this way I satisfied the American demand that no new oilfields should be opened, and oil production should not be increased.

dr. Simon Papp.

ENGLISH TRANSLATION OF CONFESSION WRITTEN IN BÓDOG ÁBEL'S OWN HAND

I have been in the service of MAORT from 1933 till January, 1948. I became Chief of the Purchasing Department in 1938.

Dr. Simon Papp told me as early as February, 1946. that — according to Paul Ruedemann — it is absolutely necessary to reduce oil production as it is an impossible phenomenon that Hungarian oil should strengthen the South-East European people's democracies opposing America and, as it is not desired to stabilize economically the Hungarian people's democracy itself. Paul Ruedemann repeated this information before me confirmatively in August and September 1947. when dr. Simon Papp was in America and so I could communicate with the American chiefs directly several times. He added to the above that it was reasonable to reduce Hungarian oil production as oil is not desired in their eyes for such countries as might enter a war against the USA in the near future.

Paul Ruedemann and George Bannantine instructed me as early as the beginning of 1946. that purchasing questions should not be dealt with intensively as the aim is to reduce production and the new equipment to be purchased would result in an increase in production. It often occured that the claims for materials made by the plants were torn up by Bannantine or Schudell or they gave me instructions to purchase those with a considerable delay.

Since early 1946. the plants urged more and more intensively the purchasing of oil well pumps. As the Hungarian manufactured pumps were not suitable we had to think of purchasing them from America. From 1946. on

I discussed this several times with Paul Ruedemann and George Bannantine, and asked them to allow me to place orders for pumps in America. But Ruedemann and Bannantine definitely instructed me not to order the pumps for the time being. They were forced to allow the ordering of pumps as late as June, 1947. when the supervisory committee sent by the Hungarian Supreme Economic Council ordered the management to place orders for the necessary equipment, and gave us the necessary amount of dollars to hand.

As the plants could not get pumps for the above reasons, they urged us to purchase a universal polishing machine necessary for the repairing of the old pumps damaged during the war. Similarly, it has been necessary for some years to order well-repairing and well-handling equipment.

The ordering of these, too, was delayed at least one and a half years, as instructed by George Bannantine because of the reasons referred to above.

Bódog Ábel.